

# Annual Report Rock Industrial & Welding Supplies Limited

# 2011

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COMPANIES HOUSE

## Rock Industrial & Welding Supplies Limited

### Annual report for the year ended 31 December 2011

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## Directors' report for the year ended 31 December 2011

### Principal activities

The company's principal activities are and have been throughout the current and preceding year the sale and distribution of welding consumables, safety and related industrial products and equipment

### Business review

The directors are pleased with the results and financial position of the company

In spite of the difficult trading environment, the company delivered positive growth in sales and net profit. The key challenges for the business continues to be the management of costs and profit margins

The company is focussed on maintaining sales growth and increasing margins whilst building upon its existing customer base for the following year

The directors refer to levels of turnover and gross margin as key performance indicators

The principal risks and uncertainties for the business relate to the current economic climate and the impact that this has on the company's customers and supply chain

### Dividends

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2011 (2010 £nil)

### Directors

The directors of the company during and after the period under review were

Mr A J Bridger	appointed 14 November 2011
Mr P J Chapman	resigned 07 December 2011
Mr R C Godley	resigned 30 September 2011
Mr S Hudson	appointed 14 November 2011
Mrs C Tuhme	appointed 9 March 2012
Mr R Walker	
Mr S Evans	

The directors are not subject to retirement by rotation

### Political and Charitable donations

The company has not made any political or charitable donations during the year

### Disclosure of information to auditor

The directors holding office at the date of approval of this directors' report confirm that so far as they are aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all steps that ought to have been taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

Directors' report for the year ended 31 December 2011 (continued)

Auditor

Hobsons Chartered Accountants resigned as the company's auditor during the year, KPMG LLP were appointed to fill the vacancy arising. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

By order of the Board



S Kelly  
Secretary

06 September 2012

Redfield Road, Lenton, Nottingham, Nottinghamshire, NG7 2UJ

## Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable laws and regulations

The Companies Act 2006 (the "Act") requires the directors to prepare financial statements for each financial year and they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Pursuant to the Act, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

select suitable accounting policies and then apply them consistently,

make judgments and estimates that are reasonable and prudent,

state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **Independent auditor's report to the members of Rock Industrial & Welding Supplies Limited**

We have audited the financial statements of Rock Industrial & Welding Supplies Limited for the year ended 31 December 2011 set out on pages 6 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on financial statements**

In our opinion the financial statements

give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,

have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and

have been prepared in accordance with the requirements of the Companies Act 2006.

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**Independent auditor's report to the members of Rock Industrial & Welding Supplies Limited (continued)**

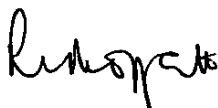
**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



R I Moffatt  
(Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants  
1 The Embankment  
Neville Street  
Leeds  
LS1 4DW  
06 September 2012

**Profit and loss account for the year ended 31 December 2011**

	<b>Note</b>	<b>2011</b>	<b>2010</b>
In £			
Turnover	[2]	3,894,677	3,030,979
Cost of sales		(3,049,381)	(2,287,406)
Gross profit		845,296	743,573
Administrative expenses		(768,560)	(719,541)
Operating profit	[3]	76,736	24,032
Interest payable and similar charges	[4]	(1,520)	(427)
Profit on ordinary activities before taxation		75,216	23,605
Taxation	[5]	(37,742)	(8,470)
Profit for the financial year	[15]	37,474	15,135

All of the above relates to continuing operations

The company has no recognised gains and losses in the year other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been prepared

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents



**Balance sheet as at 31 December 2011**

	Note	2011	2010
In £			
<b>Fixed assets</b>			
Tangible assets	[9]	154,740	135,736
<b>Current assets</b>			
Stocks	[10]	342,468	360,488
Debtors	[11]	913,116	707,749
Cash at bank and in hand		360,806	366,431
		1,616,390	1,434,668
Creditors amounts falling due within one year	[12]	(788,020)	(631,080)
<b>Net current assets</b>		828,370	803,588
<b>Total assets less current liabilities</b>		983,110	939,324
Creditors amounts falling due after more than one year	[12]	(14,704)	(8,392)
<b>Net assets</b>		968,406	930,932
<b>Capital and reserves</b>			
Called up share capital	[14]	9,960	9,960
Profit and loss account	[15]	958,446	920,972
<b>Shareholders' funds</b>	[15]	968,406	930,932

The financial statements on pages 6 to 16 were approved by the board of directors on 06 September 2012 and were signed on its behalf by



Mr S Evans  
Director



Mrs C Tuhme  
Director

**Cash Flow Statement for the year ended 31 December 2011**

	Note	2011	2010
In £			
Reconciliation of operating profit to net cash inflow from operating activities			
Operating Profit		76,736	24,032
Depreciation and amortisation		21,935	19,354
(Profit)/Loss on disposal of assets		(4,017)	1,760
Decrease/(increase) in Stocks		18,020	(109,910)
(Increase) in Debtors		(205,367)	(152,654)
Increase in Creditors		109,163	256,351
<b>Net cash inflow from operating activities</b>		<b>16,470</b>	<b>38,933</b>

**Cash flow Statement**

Net cash inflow from operating activities		16,470	38,933
Returns on investments and servicing of finance	[18]	(1,520)	(427)
Taxation		-	(75,218)
Capital expenditure	[18]	3,540	(12,249)
Financing	[18]	(24,115)	(1,781)
<b>Decrease in cash in the year</b>		<b>(5,625)</b>	<b>(50,742)</b>

**Reconciliation of net cash flow to movement in net funds**

Decrease in cash in the year		(5,625)	(50,742)
Cash inflow from decrease in debts and lease financing		24,115	1,781
Change in net debt resulting from cash flows		18,490	(48,961)
New finance leases		(40,460)	(16,400)
<b>Movement in net debt in the year</b>		<b>(21,970)</b>	<b>(65,361)</b>
Net funds at 1 January 2011		351,812	417,173
<b>Net funds at 31 December 2011</b>		<b>329,842</b>	<b>351,812</b>

## Notes to the financial statements for the year ended 31 December 2011

### [1] Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in the financial statements

#### a) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

The use of going concern accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern

The principal accounting policies are set out below

#### b) Revenue recognition

Turnover represents the total invoice value, excluding value added tax, of sales made during the year

#### c) Leases

Rentals payable under operating leases are charged against income on a straight line basis over the lease term

#### d) Intangible fixed assets

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of 10 years

#### e) Taxation

The charge for taxation is based on the result for the year. Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on enacted or substantially enacted tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in different periods from those in which they are included in the financial statements

Deferred tax assets are recognised only to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted

#### f) Pensions

The company operates a defined contribution scheme. Contributions for the defined contribution scheme are charged to the profit and loss account as they become payable in accordance with the rules of the scheme

#### g) Dividends

Final dividends proposed by the board of directors and unpaid at the year end are not recognised in the financial statements until they have been approved by a resolution of the company's members

#### h) Stock

Stock is valued at the lower of cost and net realisable value. Cost comprises purchase price. Net realisable value means estimated selling price less all further costs to be incurred in marketing, selling and distribution

**[1] Accounting policies (continued)****i) Leasing and hire purchase commitments**

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the net profit and loss account so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

**[2] Turnover**

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the UK.

**[3] Operating profit**

[1] Operating profit is stated after charging/(crediting) the following items

In £	2011	2010
Operating lease charges		
Staff costs [note 8]	392,742	377,931
Operating lease charges		
Land and buildings	12,810	12,911
Motor vehicles	18,834	15,872
Depreciation and other amounts written off tangible fixed assets	21,935	19,353
(Gain)/Loss on disposal of tangible fixed assets	(4,017)	1,761
Audit of financial statements and other services	3,936	4,270

**[4] Interest**

Interest payable and similar charges		
In £	2011	2010
On bank loans and overdrafts	-	72
Hire purchase interest paid	1,520	355
	1,520	427

**[5] Tax on profit on ordinary activities**

In £	2011	2010
<b>a) Analysis of charge in year</b>		
<b>Current tax</b>		
UK corporation tax on profits of the year	-	(478)
Adjustment in respect of previous years	33,616	8,948
	<b>33,616</b>	<b>8,470</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	264	-
Adjustment to tax charge in respect of previous year	3,862	-
Total deferred tax	<b>4,126</b>	<b>-</b>
<b>Tax on profit on ordinary activities</b>	<b>37,742</b>	<b>8,470</b>
<b>b) Factors affecting tax for the year</b>		
The tax assessed for the year is different to the rate of corporation tax in the UK of 26.5% (2010 28%)		
The differences are explained below		
Profit on ordinary activities before taxation	75,216	23,605
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 26.5% (2010 28%)	19,932	6,609
<b>Effects of</b>		
Expenses not deductible for tax purposes	412	2,329
Capital allowances for period in excess of depreciation	3,432	10
Short term timing differences	9,841	-
Adjustment to tax charge in respect of previous year	-	(478)
<b>Current tax charge for the year (as above)</b>	<b>33,617</b>	<b>8,470</b>

**c) Factors that may affect future tax charges**

On 23 March 2011, the Chancellor announced that the main rate of UK corporation tax will reduce from 28% to 26% with effect from 1 April 2011 and 25% from 1 April 2012. This tax change became substantively enacted on 5 July 2011 and therefore the effect of the rate reduction on the deferred tax balances as at 31 December 2011 has been included in the figures above.

On 21 March 2012 the Chancellor announced a further reduction in the main rate of UK corporation tax to 24 per cent with effect from 1 April 2012. This change became substantively enacted on 26 March 2012 and therefore the effect of the rate change would create a reduction in the deferred tax liability of approximately £165. This has not been reflected in the figures above as it was not substantively enacted at the balance sheet date.

**[6] Dividends**

No dividend was paid during the financial year (2010: £nil)

**[7] Directors emoluments**

Certain directors of the company are employed as managers or directors by Industrial Supplies & Services Limited or BOC Limited and are remunerated by the relevant company in respect of their services to the Group as a whole. Their emoluments are presented within the accounts of Industrial Supplies & Services Limited and or BOC Limited and are not included in any of the figures in this note. The emoluments of other directors directly employed by the Company were

In £	2011	2010
Remuneration and other emoluments	67,742	62,528
Pension contributions	2,785	2,168
Benefit in kind	7,489	7,982
	<b>78,016</b>	<b>72,678</b>

**[8] Employees****[a] Average number of employees**

The average monthly number of persons (including executive directors) employed by the company during the year was

	2011	2010
Management and sales	13	13

**[b] Employment costs**

In £	2011	2010
Wages and salaries	344,847	330,892
Social security costs	38,634	37,318
Pension costs	9,261	9,721
	<b>392,742</b>	<b>377,931</b>

**[9] Fixed assets**

In £	Land and buildings	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
<b>Cost</b>					
At 1 January 2011	93,267	3,397	51,730	75,424	223,818
Additions	-	-	4,790	42,330	47,120
Disposals	-	-	-	(19,524)	(19,524)
At 31 December 2011	<b>93,267</b>	<b>3,397</b>	<b>56,520</b>	<b>98,230</b>	<b>251,414</b>
<b>Depreciation</b>					
At 1 January 2011	20,099	2,776	34,098	31,109	88,082
Charge for the year	1,601	124	3,699	16,511	21,935
Disposals	-	-	-	(13,341)	(13,341)
At 31 December 2011	<b>21,700</b>	<b>2,900</b>	<b>37,797</b>	<b>34,279</b>	<b>96,676</b>
<b>Net book value</b>					
At 31 December 2011	<b>71,567</b>	<b>497</b>	<b>18,723</b>	<b>63,951</b>	<b>154,740</b>
At 1 January 2011	<b>73,168</b>	<b>621</b>	<b>17,632</b>	<b>44,315</b>	<b>135,736</b>

**[9] Fixed assets (continued)**

Included above are assets held under finance leases or hire purchase contracts relating to motor vehicles 2011 NBV £49,418, dep'n £9,312 (2010 NBV £15,307)

**[10] Stocks**

In £	2011	2010
Finished goods and goods for resale	342,468	360,488

**[11] Debtors**

In £	2011	2010
Amounts falling due within one year		
Trade debtors	671,268	543,482
Amounts owed by group undertakings	222,040	153,971
Other debtors	19,808	10,296
	913,116	707,749

**[12] Creditors**

In £	2011	2010
Amounts falling due within one year		
Net obligations under finance leases and hire purchase contracts	16,260	6,227
Trade creditors	456,499	405,031
Amounts owed to group undertakings	238,586	179,222
Other taxes and social security costs	66,752	22,685
Other creditors	5,797	17,915
Deferred tax - see [note 13]	4,126	-
	788,020	631,080

The bank holds as security, a fixed charge over book debts. In addition Industrial Supplies and Services Limited, the parent company, has given a guarantee limited to £50,000

**[12] Creditors (continued)**

In £	2011	2010
Amounts falling due after more than one year		
Net obligations under finance leases and hire purchase contracts	14,704	8,392

In £	2011	2010
Finance lease and hire purchase obligations		
Within one year or on demand	16,260	6,227
Between one and two years	14,704	8,392
	30,964	14,619

**[13] Deferred tax**

In £	2011	2010
Arising from accelerated capital allowances	13,410	-
Other short term timing differences	(9,284)	-
	<b>4,126</b>	<b>-</b>
At 1 January 2011	-	-
Deferred tax charge- see [note 5]	4,126	-
At 31 December 2011 - see [note 12]	<b>4,126</b>	<b>-</b>

**[14] Share capital**

In £	2011	2010
<b>Authorised</b>		
20,000 Ordinary shares of £1 each	<b>20,000</b>	<b>20,000</b>
<b>Allotted and fully paid</b>		
9,960 Ordinary Shares of £1 each	<b>9,960</b>	<b>9,960</b>

**[15] Reconciliation of movements in shareholders' funds**

In £	2011	2010
Profit for the financial year	37,474	15,135
Opening shareholders' funds	930,932	915,797
Closing shareholders' funds	<b>968,406</b>	<b>930,932</b>

**[16] Financial Commitments**

At 31 December 2011 the company had annual commitments under non-cancellable operating lease commitments expiring as follows

	As at 31 December 2011	As at 31 December 2011	As at 31 December 2010	As at 31 December 2010
In £	Land and buildings	Other	Land and buildings	Other
Within one year	6,405	-	-	-
Within two to five years	-	15,652	12,810	10,867

**[17] Pensions****Defined contribution pension scheme**

The company operates a defined contribution pension scheme. The pension charge for the year represents contributions payable by the company to the scheme and amounted to £9,261 (2010 £9,721)



**[18] Gross cash flows**

In £	2011	2010
Returns on investments and servicing of finance		
Bank interest paid	(1,520)	(427)
Taxation		
Group relief paid for use of group tax losses	-	(75,218)
Capital expenditure		
Payments to acquire tangible assets	(6,660)	(22,902)
Receipts from sales of tangible assets	10,200	10,653
	3,540	(12,249)
Financing		
Other new long term loans		
Capital element of finance leases and hire purchase contracts	(24,115)	(1,781)

**[19] Analysis of net funds**

In £	At beginning of year	Cash flow	Other non cash changes	At end of year
Cash in hand, at bank	366,431	(5,625)	-	360,806
Finance leases and hire purchase contracts	(14,619)	24,115	(40,460)	(30,964)
Total	351,812	18,490	(40,460)	329,842

**[20] Related party disclosures****Sale of goods**

During the year the company sold goods to associated subsidiary undertakings totalling £498,028 (2010 - £446,593)

No sale of goods were made to the immediate parent undertaking

**Purchases**

During the year the company purchased goods from associated subsidiary undertakings totalling £327,773 (2010 - £315,224)

No goods were purchased from the immediate parent undertaking

All purchases and sales of goods to group companies are at cost

**Management and administration charges**

During the year, the company incurred management and administration charges from the immediate parent undertaking totalling £81,112 (2010 - £109,068)

**[20] Related party disclosures (continued)**

Balances with related parties

At 31 December 2011 the following balances with related parties were held,

In £	2011	2010
Amounts due from associated subsidiary undertakings	222,040	153,971
Split by,		
BOC Ltd	78,096	65,602
Leengate Industrial & Welding Supplies (Cannock) Limited	1,336	249
Industrial and Welding Management Limited	112,999	67,687
Pennine Industrial & Welding Supplies Limited	1,059	169
Wessex Industrial & Welding Supplies Limited	-	2,685
Linde AG	27,559	17,471
Other group balances	991	108
In £		
Amounts due to associated subsidiary undertakings	46,211	94,452
Split by,		
BOC Ltd	8,835	9,660
Leengate Valves Limited	473	2,306
Express Industrial & Welding Supplies Limited	1,171	804
Industrial and Welding Management Limited	21,797	60,808
Welder Equipment Services Limited	13,134	9,144
Other group balances	801	11,730
In £	2011	2010
Amounts due to immediate parent undertaking	192,375	84,770

**[21] Contingent liabilities**

The company has entered into an agreement with the minority shareholder whereby on death, retirement or termination of employment of the minority shareholder, the company (or its parent company) may purchase the ordinary shares at a price determined by that agreement

**[22] Ultimate parent undertaking**

The company is a 87.5% subsidiary of Industrial Supplies & Services Limited, a company registered in England & Wales

The ultimate parent company is Linde AG, Klosterhofstrasse 1, 80331 Munich, Germany

Linde AG is the smallest and largest group to consolidate these financial statements. Copies of Linde AG's consolidated financial statements can be obtained from that company at Klosterhofstrasse 1, 80331 Munich, Germany